

## **Summary of “Unemployment Insurance Modernization Act” (HR 290)**

### **Unemployment Insurance Modernization Incentive Payments**

Up to \$7 billion from FY 2009 – FY 2011 available from the Federal Unemployment Account for states: 1) that use a base period which includes the most recently completed calendar quarter, or, for individuals who would otherwise be ineligible, use a base period that includes the most recent four completed calendar quarters; and (2) whose laws include at least two of the following provisions:

- No denials concerning availability for work, active work search, or refusal to accept work if individuals seek only part-time work and the majority of the weeks of work in their base period includes part-time work;
- No disqualification for separation from employment due to compelling family reasons including domestic violence, illness or disability of a family member, or accompanying a spouse; or
- Paying unemployment compensation to UI exhaustees participating in state-certified or WIA funded training programs in high demand occupations who separated from a declining occupation/separated due to permanent reduction of operations at place of employment.
- Dependent allowances are provided in the case of any individual who is entitled to receive regular UI compensation and who has eligible dependents. Minimum dependent allowance is \$15 per week per dependent with a total aggregate allowance for multiple dependents of not less than \$50 per week.

Funds could only be used for unemployment compensation, and the administration of a state’s unemployment compensation law and public employment offices. Funds will be allocated using the same criteria for disbursing Reed Act distributions (proportional to FUTA taxes paid in that state) as described below:

- One third of funds will be transferred to states once their law includes the base period provision.
- The rest of the funds will be transferred to states when their law includes two of the four additional provisions outlined above.

### **Administrative Funding for Unemployment Insurance Modernization**

In addition to any scheduled Reed Act distributions, \$500 million will be transferred from the Employment Security Administration Account and allocated to the states for the administration of these new provisions, outreach to individuals who may now be eligible for UI benefits, improvement of UI benefit and tax operations, and staff-assisted reemployment services to claimants. These funds will be allocated to the states using the same criteria for disbursing Reed Act distributions (proportional to FUTA taxes paid in that state).

### **FUTA Tax Rate**

The current 6.2% FUTA tax rate would be extended through 2012.